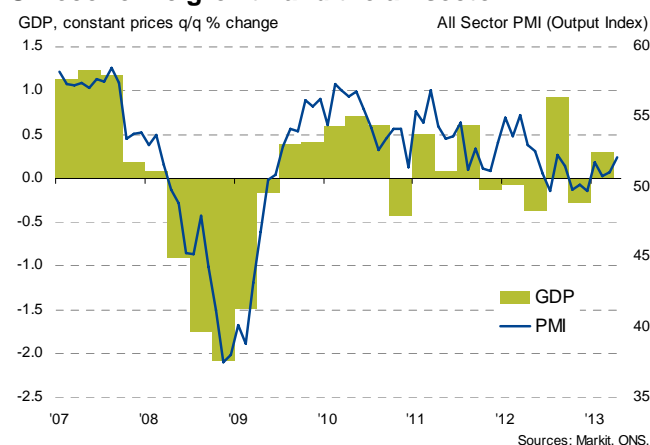


United Kingdom

PMIs signal growth upturn at start of second quarter

- All-sector PMI highest since last August
- Service sector expansion accompanied by marginal uptick in manufacturing and signs of stabilisation in construction
- Faster growth reduces chance of BoE stimulus

UK economic growth and the all-sector PMI



The three UK PMI surveys collectively signaled the fastest rate of economic growth for eight months in April. The improvement reflected a strengthening upturn in service sector business activity, a return to marginal growth in the manufacturing sector and a near-stabilisation of construction.

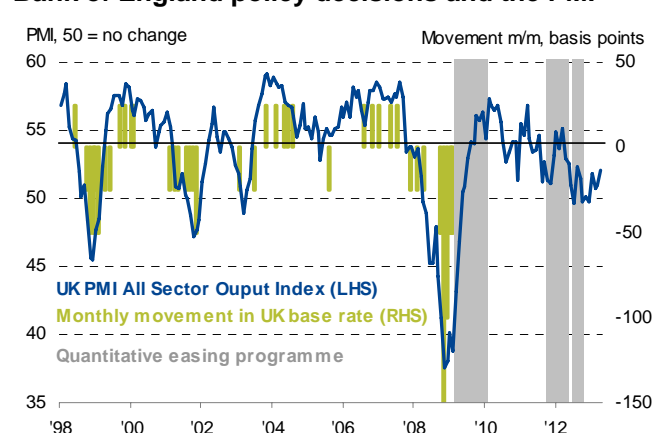
The surveys provide the first evidence that the faster than expected economic growth seen in the first quarter persisted at the start of the second quarter.

Policy on hold

With the economy showing signs of gaining momentum and inflation running well ahead of target at 2.8%, the latest PMI data further reduce the likelihood of the Bank of England's Monetary Policy Committee voting for more asset purchases at its May meeting. The Bank instead looks set to await further evidence of the impact of the newly-extended Funding for Lending Scheme, which is now showing signs of boosting lending to both households and SMEs.

However, the rate of growth signaled by the PMIs remains frustratingly modest, running at a pace which has historically been consistent with policy stimulus, suggesting that some members of the Monetary Policy Committee will still see a need to provide a further boost to the still fragile looking revival, especially as [global growth appears to be slowing](#).

Bank of England policy decisions and the PMI



Services-led expansion

The weighted Output Index from the three PMI surveys rose from 51.0 in March to 52.1, its highest since last August and signaling expansion for the fourth month running.

The data suggest that the return to growth enjoyed by the economy in the first quarter persisted, and may have even gained momentum, at the start of the second quarter. The economy grew by 0.3% in the first quarter, according to the Office for National Statistics, avoiding a slide back into recession after having contracted by the same amount in the final three months of last year.

Like the PMIs, the official GDP data showed a return to growth of services being offset by falling output in the manufacturing and construction sectors in the first quarter. The PMIs suggested growth in April was again led by **services**, where business activity rose for the fourth month in a row, growing at the fastest rate since last August. The Business Activity index rose from 52.4

to 52.9. Further growth is signalled for May, with new orders showing the largest monthly increase for a year.

The [manufacturing PMI](#) meanwhile edged up from 48.6 to 49.8 in April, buoyed by the first, albeit, marginal, increase in output since January. The survey's Output Index rose sharply from 47.8 in March to 50.5.

Encouragingly, the manufacturing survey also showed the largest gain in export orders since mid-2011, meaning an upturn in goods trade could also help to drive stronger economic growth in the second quarter.

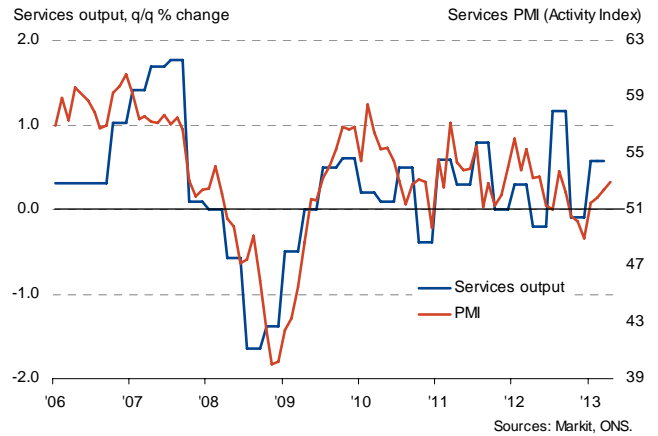
Exports



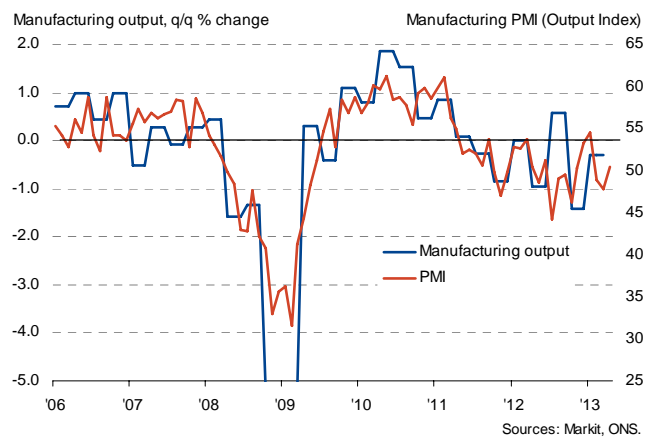
The [construction sector](#) is also likely to act as less of a drag on the economy in the second quarter, having contracted by a marked 2.5% in the first quarter, according to official data.

The Construction PMI's Activity Index rose from 47.2 in March to 49.4, signaling the weakest rate of decline for six months. Levels of incoming new business likewise showed the smallest decline for six months. The construction upturn was led by the largest increase in house building activity for a year, though commercial and civil engineering both saw the smallest falls in activity for three months.

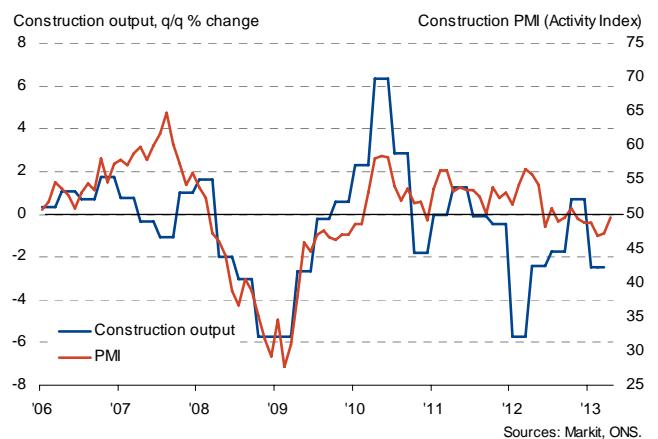
Services



Manufacturing



Construction



Chris Williamson

Chief Economist

Markit

Tel: +44 207 260 2329

Email: chris.williamson@markit.com

[Click here](#) for more PMI and economic commentary.

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